Research Proposal for the Thesis entitled

Examining Financial Behavior and its Influence on Financial Wellbeing of IT Employees in Gujarat

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Introduction

Twenty-first century has witnessed changes in Indian lifestyles due to influence of western culture. Chasing unlimited desires have dented not only the financial savings culture but have also lead to increased health issues due to increased stress to earn more and consume more. Sedentary Lifestyle along with increased shift to convenience purchases have negatively impacted people's health and finances, which in turn has negatively impacted long term savings. As per Nasscom, 70% of the workforce are Millennials and Gen Z. Workplace have a huge impact on the behaviours of employees thereby impacting their well-being including financial condition.

1.1 About IT Sector in India

Indian IT sector has been one of great success stories created after independence. As per NASSCOM Strategic Review, IT contributes 7.5% to India's GDP, employees 5.4 million directly and over 10 million indirectly by more than 30,000 registered IT companies in India.

IT sector has been able to attract the bulk of the millennials emerging out of college campus over last many years. Millennials (Born between 1981-96) are 34% of total population and constitute more than 45% of current workforce. Gen Z (People born between 1996-2012) estimated to be over 470 million are expected to overtake millennials in number. But millennials are facing a distinctive set of issues and circumstances that will affect their ability to save for retirement.

The job environment for millennials is changing tremendously as businesses are getting impacted due to rapid globalization, digitization, demographic, economic and sustainability. Millennials are facing a job situation where they are facing shift in social security responsibility from government to individuals, reduced healthcare coverage from employers, economic environment with crises like 2001 dot com burst, 2008 Great financial recession, 2020 Covid 19 leading low interest rate environment, low income growth with intermittent job losses. In addition, retirement investing has become complex as Government has moved from defined benefit to defined contribution environment,

Millennials are facing several risks in their ability to build retirement corpus. Intermittent job losses, mobility in jobs, low interest rate in fixed income investments, equity markets delivering lower returns, increasing out of hospital medical expenses, rising consumerism,

lifestyle changes.

Employees in India including IT sector mostly have retirement age of 60. Some of the IT companies like Tech Mahindra and HCL have reduced retirement age below 58.

1.2 Financial Wellbeing

Life is becoming complex for most individuals due to multiple issues arising in various life domains namely work, family, social circle. Unfortunately, many individuals have been stressed with their own personal concerns related to career or relationships. But unlike most there are some people who are able to deal with these issues in much more relaxed manner. In addition, most of such people have been associated with social activities trying to positively impact the society and following their personal interests along with their dealing with career and family concerns.

As per Lusardi & Mitchell (2011), Planning has important implications for wealth accumulation. But Retirement planning is complex and more difficult is to sustain execution of the plan, hence very few people do retirement planning and sustain execution.

This research study is to dwell into the financial well-being and financial behaviour of IT Sector employees in Gujarat. Are IT sector employees who are considered one of the best paying sectors are having good financial wellbeing and showcasing appropriate financial behaviours?

1.3 About Financial Education

Financial education empowers individuals to take informed financial decisions through understanding the different financial products and being active in saving and investing for achieving different financial goals. Financial education enables individuals to learn characteristics of financial products so that the individuals can take better financial decisions. For example, individuals will take greater responsibility (and risk) in case of own retirement savings compared to employer or government pension. They will know in a retirement savings plan, they will have to make financial decisions about accumulation, investment and decumulation.

Financial education should be of highest priority for individuals who are unlikely to amass adequate savings during their working years, and thereby at high risk of lower standards of living during retirement years.

1.4 Managing Oneself

Management Guru, Peter Drucker has famously said that knowledge worker has to manage oneself.

Developing countries like India are facing an impending retirement crisis. 2004 was a historic year in India, when Indian Government removed defined pension benefits for all employees. Increase in life expectancy are leading to longer retirement life without income.

Layoffs and Voluntary retirement schemes have been in the headlines of late. BSNL has got more than 70,000 applicants out of 1,40,000 employees for the VRS scheme launched. Indian IT companies have laid off Middle management employees in few thousands.

Complexities increasing in investment products. Falling rates across Bank fixed deposits and Government small investment schemes have forced Indians to explore investment options beyond Fixed deposits and Government schemes. Mutual fund and Life insurance products have been a favourite products for lot of Indians. But with more than 3000 Mutual fund products to choose and life insurance products from more than 45 life insurance companies is scary.

Discretionary expenses are wiping the savings culture in India. With increased convenience in purchases of consumer goods especially electronic goods (Mobile Phones, Smart devices, food). Lifestyle expenses are increasing. Key pillar in financing a retirement plan is family. But this reliance has undermined in a course of time due to industrialization, urbanization, attitudes, values and expectations which leads to a more individualistic lifestyle.

Low financial literacy. Over optimism, overconfidence lead to fatal errors in decision making. Impact of financial decisions are not felt immediate, hence many a time, people realise the impact of wrong financial decisions quite late in their lives.

1.5 About Financial Behaviour

Financial behaviors pertain to the conduct, routines, and cognitive processes that individuals demonstrate in the management of their financial resources. The acquisition of financial literacy is of paramount importance in influencing these behaviors, as it provides individuals with the necessary knowledge, competencies, and dispositions to make well-informed financial decisions. The following financial behaviors are influenced by an individual's level of financial literacy:

Financial literacy facilitates the cultivation of budgeting abilities, which empowers individuals to establish and comply with a budget, thereby enhancing their budgeting and spending habits.

The process entails monitoring revenue and expenditures, establishing financial objectives, discerning between essential and discretionary expenditures, and engaging in deliberate spending choices that are consistent with their financial preferences.

Literature Review

(Baek et al., 2019) have studied how financial planning services affect individuals financial behavior and satisfaction. Results of 216 clients who had witnessed comprehensive financial planning services of a Korean independent Financial Planning firm showed that attitude towards Financial Planning, Financial knowledge, and Satisfaction improved after Financial Planning services were completed. In addition, clients reduced discretionary expenses and increased savings and investments by almost 20 per cent of median income.

(Carpena et al., 2015) conducted a large field experiment to study attitudinal, behavioural and cognitive constraints that creates gap between financial education and financial outcomes. Financial education programs increased post great financial crisis as lack of financial education was perceived as one of the reasons of financial market turmoil. Outcome of the study was Financial education increases financial awareness and attitudes but does not significantly improve long term financial behaviours like savings, borrowings. But financial goal setting and financial counseling significantly helps in overcoming behavioural and cognitive constraints. Authors suggest that financial education will lead to greater financial knowledge and behaviour if it is delivered with personalization and motivational complements.

(Gautam & Matta, 2013) studied relationship between financial products choice and underlying consumer behavior using Antony Beckett Consumer Behaviour Matrix. Authors found Indian consumers avoid equity investments and prefer safe investments like bank fixed deposits, land, gold. Uncertainty in returns and limited consumer knowledge has led to limited equity investment. By reducing uncertainty through financial market regulations and increased involvement through equity education programs, consumers can increase equity investments.

(Mokhtar & Husniyah, 2017) did a quantitative study of 316 respondents for the factors affecting financial well-being among public employees in Putrajaya, Malaysia.. The results indicated that financial stress, work environment, locus of control and financial behaviour were significantly associated with financial wellbeing. Financial stress along with work environment were the strongest factor affecting financial well-being. Individuals will obtain satisfaction by focusing on their financial planning and goals.

(Krishna et al., 2019) studied the acceptance of personal financial planning services in Bengaluru city. Financial literacy helps individuals to make well-informed financial decisions. Individual financial planning service can help people with low financial literacy make wise financial decisions. Income, Personal financial planning and financial literacy have significant impact on financial satisfaction. The study shows that increase in financial literacy has a positive effect on using the personal financial planning services.

(Kumar et al., 2013) have explored to identify determinants of financial literacy that influences financial attitude, financial behavior and financial knowledge among the urban Indian working youth. Poor financial literacy negatively impacts individual's ability to secure financial well-being. The outcome of the study was apart from similar factors, India specific factors like joint family and consultative decision making process significantly impact financial literacy. Hence the focus of any strategy for improving financial well-being of Indian youth would have to be broader than just the individual. Study also found significant positive relationship between financial knowledge and financial behavior, but negative relationship between financial attitude and financial behaviour may be due to the profligate manners of youth.

(Fernandes et.al., 2014) organized a 168 papers meta-analysis of financial literacy, financial education and financial behaviours. Financial literacy has strong correlation to financial behaviours. Policy makers have stressed on Financial education interventions to deal with increasing complications in consumer financial decision making. Financial literacy interventions have minimal impact on financial behaviours especially low income samples that is not immediately used. Even large interventions of Financial education have negligible impact on financial behaviours due to decaying with time. Authors recommend Just-in-time financial education in the form of coaching from trustworthy infomediaries.

(Burke & Hung, 2015) have studied whether taking financial advisors lead to better savings behaviours. Significant evidences have found people taking help of financial advisors tend to be more financially sound, have higher income, more literate, aged, and higher financially literate. Financial advisors have not been able to improve individual's savings behaviours, but have positively impacted retirement planning and retirement preparation. Workplace retirement seminars may not have higher impact than general seminars.

(Douwes & Mcintosh, 2018) have studied the needs of financial education and Financial Literacy learning preferences of Millennial's. Most millennials have increased savings but not

are not investing wisely. More women at workplace, High student debt, reduced government social security are new realities for Millennials. High personal finance capabilities will help millennials make better financial decisions, reduce financial anxieties and lead to happy and healthy life. Information oversupply is hampering content sharing hence bite sized and simple finance basics content should be shared. Millennials are aware of building own retirement not depending on government for social security. Unlike previous generations, millennials are comfortable sharing their personal finance related issues and requirements. In addition, social media influencers are motivating the millennial through sharing personal finance experiences. Financial advisors can empower millennials through creating safe space and building communities.

(Netemeyer et al., 2018) have done a systematic study on how perceived financial well-being affects overall well-being. Outcome of this study has been that perceived financial well-being is important predictor of overall well-being and comparable to combined effect of other life domains (Job Satisfaction, Health, Relationship). Current financial management stress and future financial security have differing predecessors.

Research Gap

The available literature covers various dimensions of financial literacy, financial behavior, financial market, investments etc. Most of the study are generalized in nature covering different groups of people. Limited research has been done, specifically on financial behavior of IT employees. Studies have been done on the wellbeing of IT employees, but limited work has been found on the financial welling. Further no literature is available about the financial welling of IT employees in Gujarat. In this context present study will make an attempt to "Examining Financial Behavior and its Influence on Financial Wellbeing of IT Employees in Gujarat".

Objective

The proposed study will be conducted considering the following objectives:

1. To understand and study the factors affected to financial behaviour and financial well-being of IT sector employees in Gujarat.
2. To examine the impact of factors influencing to financial well-being.
3. To investigate the mediating role of financial behaviour between the factors related to financial investment and financial well-being.

Hypothesis

H1: Financial literacy having positive significantly influence financial wellbeing of employee in IT Sector.

H2 : Financial socialization having direct influence on financial wellbeing with respect to IT Sectors employees.

H3: Financial attitude significantly influence on financial wellbeing with respect to IT Sectors employee

H4: Financial confidence having direct influence on financial wellbeing with respect to IT Sector employees

H5: Financial behavior having significant influence on financial wellbeing with respect to IT Sector employee

H6: Financial literacy significantly affected financial behavior of IT Sectors employees.

H7: Financial socialization having direct influence on financial behavior with respect to IT Sector employees.

H8: Financial attitude having positive significant influence on financial behavior with respect to IT Sectors employees.

H9: Financial confidence having significant influence on financial behaviour with respect to IT Sectors employees

Research Methodology

The research will be conducted by utilizing a conceptual approach and reviewing existing literature. The framework aims to explore the connections between variables such as financial behavior, financial attitude, financial literacy, and financial socialization. Additionally, it aims to examine how these factors influence an individual's financial well-being. The research questions will be taken into consideration while developing the research instrument. The instrument will be comprised of a structured questionnaire and a model. The primary factors that will be relevant to the research questions will be identified and incorporated into the instrument. A preliminary investigation will be carried out to evaluate the dependability of the research tool in the Indian context. The questionnaire's final version will undergo revisions to ensure alignment with the study objectives, taking into account feedback from respondents and subject matter experts. Once the research instrument is finalized, a suitable sampling strategy

will be devised to conduct the field survey. Proposed study will take sample size of more than 500 from across various districts of Gujarat. Primary data collected with the help of structured questionnaire will be analyzed with the help of IBM SPSS, MS Excel. Various statistical tools like descriptive statistics, frequency distribution, structured equation modelling etc. will be used.

Scope of the Study

Scope of present study is limited to the state of Gujarat. Within the state of Gujarat, study will cover only employees working in IT sector, engaged in various IT companies in the profile of entry and middle level. Study will attempt to cover the financial wellbeing of IT employees and impact of financial knowledge and behavior on wellbeing.

Limitation of the Study

To manage personal finances several key considerations should be kept in mind

- Study's sample size may be limited or concentrated on a particular demographic or geographic area. This factor should be taken into account when assessing the applicability of the study's findings to a broader population.
- The utilization of self-reported data is a common practice in numerous studies pertaining to financial well-being. However, it is important to acknowledge that such data may be susceptible to biases and inaccuracies.
- When employing a cross-sectional design, the study effectively captures a momentary glimpse into the participants' financial well-being, providing a snapshot of their current financial situation.
- Determining causality in research pertaining to financial well-being poses a considerable challenge.
- Achieving financial well-being is not solely determined by individual choices, but is also shaped by cultural, social, and economic factors that differ across different regions and populations.
- The concept of financial well-being is multifaceted, taking into account different dimensions of one's financial situation. It encompasses a wide range of aspects that collectively contribute to an individual's overall financial health.

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